

Message Text

SECRET

PAGE 01 KUWAIT 01416 020609Z

16/11
ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NEA-06 NSC-05 NSCE-00 PM-03 SP-02

L-01 INR-05 CIAE-00 EUR-08 EA-06 AF-04 ARA-06 /064 W
----- 066221

P R 011004Z APR 75
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC PRIORITY 2637
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BRASILIA
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KINSHASA
AMEMBASSY LAGOS
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AMEMBASSY NEW DELHI
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USINT BAGHDAD
USMISSION OECD PARIS
USMISSION EC BRUSSELS
AMEMBASSY PARIS

S E C R E T KUWAIT 1416

LIMDIS

C O R R E C T E D C O P Y (A A D I N G O N L Y)

E.O. 11652: GDS
TAGS: ENRG KU
SUBJECT: KUWAIT POSITIONS ON CONSUMER/PRODUCER CONFERENCE ISSUES
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PAGE 02 KUWAIT 01416 020609Z

REF: (A) STATE 67363 (B) STATE 58837

SUMMARY: ON IMPORTANT SUBSTANTIVE OIL AND FINANCIAL ISSUES GOK CAN BE EXPECTED TO MAKE UP ITS OWN MIND AND REACH DECISIONS BASED ON ITS OWN SPECIAL CIRCUMSTANCES. THIS WILL BE DONE AFTER CONSULTING WITH OTHERS, PARTICULARLY SAUDI ARABIA AND PROBABLY IRAN AS WELL. ON LESS IMPORTANT QUESTIONS GOK WILL TRY TO AVOID SPOTLIGHT. GOK REPS MAY BE HELPFUL ON CERTAIN SPECIFIC QUESTIONS BUT CANNOT BE EXPECTED TO CHALLENGE ALGERIANS OR OTHER OPEC/LDC COUNTRIES OPENLY. AS MOST SOPHISTICATED OPEC COUNTRY ON FINANCIAL MATTERS KUWAIT VIEWS COULD BE PARTICULARLY INFLUENTIAL ON ENERGY RELATED FINANCIAL, INVESTMENT ISSUES. END SUMMARY.

1. KUWAIT WILL NOT BE REPRESENTED AT PREPCON BUT IS SIGNATORY OF ALGIERS SUMMIT SOLEMN DECLARATION OF MARCH 6. GOK CAN BE EXPECTED TO SEEK ATTENDANCE AT C/P MEETING ITSELF. WE SUSPECT THAT, LIKE SAUDI ARABIA, KUWAIT WILL CONCENTRATE ITS ATTENTION ON FUNDAMENTAL ENERGY AND RELATED FINANCIAL MATTERS THAT WILL HAVE DIRECT IMPACT ON KUWAITI ECONOMY.

2. IN CONTEXT OF C/P MEETING KUWAITI PRIORITY GOALS ARE (1) TO STABILIZE AND, TO THE DEGREE POSSIBLE, DEPOLITICIZE WORLD ENERGY SALES AND PAYMENTS, AND (2) SIMILARLY TO STABILIZE AND DEPOLITICIZE INTERNATIONAL FINANCIAL AND INVESTMENT ACTIVITIES, THEREBY ALLOWING GOK TO PLAN AND PURSUE WITH GREATER CERTAINTY ITS LONG RANGE INVESTMENT PROGRAM. KUWAITIS ASSUME THAT UNTIL ALTERNATIVE SOURCES OF ENERGY BECOME TRULY COMPETITIVE SOMETHING LIKE PRESENT OPEC PRICES WILL REMAIN IN EFFECT; THUS THEY WILL ASSUME PRESENT PRICES, OR PRICES NEARLY AT PRESENT LEVELS, WILL REMAIN WHATEVER C/P MEETING DECIDES. AT SAME TIME THEY INTERESTED IN AND WOULD LIKE TO PARTICIPATE IN DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES.

3. IN TERMS PARA 4 REF B KUWAITI POSITIONS, WE THINK, ARE LIKELY TO BE AS FOLLOWS:

(A) PROCEDURAL ISSUES:

BILATERAL MEETING PREFERRED OVER TRILATERAL, BUT GOK WILL NOT MAKE STRONG FIGHT AGAINST WHAT, IN ANY CASE, APPEARS HAS BE
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PAGE 03 KUWAIT 01416 020609Z

NOW BEEN DECIDED TO BE TRILATERAL MEETING. ON OTHER PROCEDURAL ISSUES GOK PROBABLY NEUTRAL AND WILLING JOIN WHATEVER OPEC/LDC CONSENSUS EXISTS. AS NOTED ABOVE GOK WILL WANT PARTICIPATE IN ACTUAL C/P MEETING. WE THINK GOK PROBABLY PREFERS RELATIVELY SMALL MEETING AND OCCASIONAL LARGE CONFERENCES (AS NEEDED) INTERSPERSED WITH APPROPRIATE TECHNICAL/WORKING GROUP MEETINGS TO DO DETAILED ANALYSIS. WE THINK GOK CONSIDERS A CONTINUING, LONG TERMS DIALOGUE AS BEING NEEDED AND THAT ISSUES ARE BROAD

AND COMPLEX ENOUGH SO THAT THEY WILL NOT BE RESOLVED IN ONE MEETING.

(B) CONSUMER ISSUES:

GOK RECOGNIZES THAT KUWAIT HAS RESPONSIBILITY TO PRODUCE ITS SHARE OF OIL AS REQUIRED BY GENERAL WORLD DEMAND. HOWEVER, THERE ARE PRESSURES LOCALLY TO CONSERVE COUNTRY'S ONLY IMPORTANT NATURAL RESOURCE. MOREOVER GOK WILL WANT TO REFINED AND TRANSPORT LARGER PORTION OF ITS OWN OIL AND GAS. IT WILL WANT TO MAINTAIN CURRENT PRICES. ON ECONOMIC DEVELOPMENT AND INVESTMENT ISSUES, GOK WOULD LIKE ULTIMATELY TO WORK OUT ARRANGEMENTS WHERE IT CAN INVEST IN LDCS AND DCS IN COOPERATION WITH OTHERS, NOTABLY MAJOR INTERNATIONAL COMPANIES AND AGENCIES OF DCS. IT WOULD BE WILLING INVEST IN DEVELOPMENT OF NEW ENERGY SOURCES, IF ALLOWED. ON SECURITY OF SUPPLY, GOK WILL NOT ENTERTAIN ANY NOTION THAT A GUARANTEED PRICE BE CONDITIONED ON A PROMISE NOT TO EMBARGO OIL. SHORT OF SATISFACTORY RESOLUTION OF ARAB-ISRAEL DISPUTE WE SEE NO WAY TO GET GOK OR OTHER ARAB PRODUCERS TO AGREE TO NON-EMBARGO PLEDGE.

(C) ADDITIONAL ISSUES THAT MAY BE RAISED BY OPEC/LDC:

KUWAITIS WOULD BE INTERESTED IN AT LEAST SERIOUSLY DISCUSSING INDEXATION. THEY PROBABLY WILL SUPPORT INDEXING IN SOME FORM AND PROBABLY WOULD FAVOR C/P AGREEMENT TO TIE OIL PRICES TO SDRS. GOK WILL BE VERY INTERESTED IN MONETARY REFORM AND PETROLEUM CONSERVATION ISSUES, BUT WILL LOOK TO OTHERS TO COME FORWARD WITH BASIC PROPOSALS. KUWAITIS CAN BE EXPECTED TO SUPPORT LDC DEMANDS FOR STABILIZATION OF RAW MATERIALS PRICES AT HIGH LEVELS, ALTHOUGH AS IMPORTER OF RAW MATERIALS WE WONDER IF THEIR ACTUAL SUPPORT MIGHT NOT WEAKEN RAPIDLY ONCE DISCUSSION TAKES PLACE. KUWAITIS WILL PROBABLY JOIN LDC CONSENSUS ON NEW WORLD ORDER QUESTIONS.

SECRET

SECRET

PAGE 04 KUWAIT 01416 020609Z

(D) EXPECTATIONS AND STRATEGY FOR FINAL CONFERENCE:

WE THINK GOK WILL GO TO FINAL CONFERENCE AS SERIOUS PARTICIPANT WHICH WOULD LIKE TO WORK OUT SOLUTION TO CURRENT PROBLEMS. THEIR PRIMARY PURPOSE WILL BE TO ESTABLISH INTERNATIONAL SYSTEM THAT WILL ALLOW MORE STABLE AND CERTAIN CONDITIONS TO PREVAIL SO THAT FUNDAMENTAL ECONOMIC DEVELOPMENT, WHICH IN KUWAIT INCLUDES INTERNATIONAL INVESTMENT, CAN TAKE PLACE. BUT GOK UNLIKELY TO BE WILLING GIVE UP NEWLY ACQUIRED CONTROL OVER OIL PRODUCTION AND PRICING. AS MATTER OF STRATEGY GOK WILL KEEP IN TOUCH WITH OTHER OPEC MEMBERS, PARTICULARLY SAUDI ARABIA, AND WILL GO ALONG WITH OPEC/LDC CONSENSUS ON MOST ISSUES. INDIVIDUAL KUWAITIS, HOWEVER, LIKELY TO BE OPEN AND CANDID IN DISCUSSIONS WITH USG AND OTHER IEA COUNTRY REPS BEFORE OR DURING ACTUAL CONFERENCE.

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SECRET

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, PETROLEUM, EXPORTERS, IMPORTERS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 APR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KUWAIT01416
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750113-0730
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750494/aaaadhqu.tel
Line Count: 168
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: 75 STATE 67363, 75 STATE 58837
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by ShawDG>; APPROVED <14 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT POSITIONS ON CONSUMER/PRODUCER CONFERENCE ISSUES SECRET
TAGS: ENRG, KU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006